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For action

Private Sector Division work plan and proposed budget for 2000

Summary

The Executive Director presents the Private Sector Division (PSD) work plan and proposed budget for 2000.

In 2000, PSD plans to generate $198.0 million in net consolidated income for regular resources. In addition, $130.3 million are projected to be raised from private sector fund-raising activities for other resources. This will be achieved with expenditures of $93.1 million, $6.2 million or 7.1 per cent more than the 1999 latest estimates.

The formal decision to be made on the basis of the present document is the adoption of the draft resolutions relating to the budget proposal contained in paragraph 46.

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I. Overview

A. Introduction

1. The year 1999 put enormous demands on the internal resources of the Private Sector Division (PSD), involving major changes in staffing, systems, work processes and calendar. With the exception of systems (Financial and Logistics System (FLS), Programme Manager System (PROMS) and SalesPerfect), which were corporate priorities of the organization as a whole, all other changes result from PSD implementation of the final phases of the 1996/97 Coopers and Lybrand management review and recommendations.

2. Organizationally, the biggest challenge was implementing the demanding tasks set in the approved work plan (E/ICEF/1999/AB/L.5) with only a skeleton crew at the upper management levels for the first half of 1999. Due to the cumbersome processes involved in the recruitment and placement of staff, it was not until June 1999 that the majority of new posts could be filled. Natural attrition accounted for a few vacancies in key positions during the year, so PSD is again involved in the search process. However, all indications are that staffing will shortly be at full strength, with the commensurate increase in productivity.

3. At the beginning of the year, implementation of the organization's new FLS also had an impact on PSD operations. It resulted in a longer time in routine processes and a learning curve for all staff, which is now just starting to bear fruit. There are still problems involved in fitting the PSD production/art selection system into the more financial orientation of the SAP (Systems, Applications, Products in Data Processing) system, but they are slowly being resolved. The integration of the field offices into the new systems through PROMS, as well as the introduction of the SalesPerfect and DonorPerfect systems, are gradually becoming a reality.

4. In 1999, PSD and the regional Office for Europe in Geneva launched the Joint Planning Process (JPP) with National Committees for UNICEF. This process, in which eight National Committees participated, allows, among other things, strategic focusing on opportunities for maximizing revenues for UNICEF programmes and includes the prioritization of investments for key initiatives. It also includes the earmarking of PSD investment funds for some of these key initiatives. The objective is to have all National Committees involved in JPP by 2001.

5. In 2000, PSD plans to launch a number of initiatives that have the potential not only to greatly increase UNICEF capacity for income generation, but also to contribute significantly to the building of brand identity. PSD will take its income-generating activities to the Internet in an integrated way with all its other web-site activities. In early 2000, a study which is currently under way will make recommendations as to how UNICEF and National Committees can best be present in the arena of e-commerce; the resulting implementation is foreseen for the second half of the year. PSD also plans to support the launching of a licensing project - for which the United States National Committee is the pilot Committee - which uses the UNICEF brand on a range of consumer products associated in a positive manner with UNICEF and its values. PSD initiated a partnership with the International Football Association (FIFA), which will bring the UNICEF message to young sports enthusiasts the world over. A special expanded collection of products for school is being introduced and is expected to open new distribution channels for UNICEF and new younger segments of the market.

6. Increases in revenue from product sales and private sector fund-raising over 1999 are projected. In the area of card and product sales, the projected sales volume for 2000 is 160

million cards, with gross proceeds projected at $160.8 million. This is an increase over the 1999 latest estimates of 7 million in sales volume and $10.3 million in gross proceeds. The net operating income from card and product sales for 2000 (before the Market Development Programme (MDP), the Central and Eastern European National Committees Development Programme and the Nordic Investment Programme) is projected at $61.6 million, compared to the 1999 latest estimates of $58.1 million.

7. In the area of private sector fund-raising, the net operating income for regular resources (before the Fund-raising Development Programme (FDP) and the Nordic Investment Programme) is projected at $151.4 million, compared to the 1999 latest estimates of $146.8 million. In addition, for 2000, $130.3 million of other resources income is projected, compared to the 1999 latest estimates of $139.0 million. This projected reduction in other resources income is due primarily to the fact that the major emergencies in 1999 (e.g. Kosovo, East Timor, etc.) generated substantially increased and unanticipated revenues.

8. The total consolidated income from both revenue-generating activities for 2000 (after MDP, FDP, the Central and Eastern European National Committees Development Programme and the Nordic Investment Programme) is projected at $328.3 million, compared to the 1999 latest estimates of $330.9 million.

B. Policy issues

9. PSD proposes the review and approval of the following policy issues:

(a) *MDP.* For 2000, PSD proposes to continue MDP with a budget of $3.4 million ($0.6 million less than the 1999 approved budget). Investments for 2000 will be focused on key markets and critical areas identified for investment, including those which have previously proven successful while maximizing return on investment;

(b) *FDP.* For 2000, PSD proposes to continue FDP with a budget of $7.1 million ($1.4 million less than the 1999 approved budget), with continued focus on key markets to enlarge UNICEF donor constituencies, implementing proven fund-raising initiatives while maximizing return on investment;

(c) *Central and Eastern European National Committees Development Programme.* In 1999, the Executive Board approved an increase in retention rate for the nine National Committees in this region from 25 to 50 per cent for the period 1999-2001 to facilitate investment towards the expansion of their customer databases to sustainable levels and to increase future business potential. For 2000, the additional retention for this region is projected at $0.5 million (same as in 1999);

(d) *Nordic Investment Programme.* This programme was developed jointly for the four Nordic National Committees (Denmark, Finland, Norway and Sweden) and is based on special market research and management studies conducted with the goal of reversing the declining trend and increasing significantly private sector contributions from this region. With targeted investment as proposed in the four-year programme, annual contributions to UNICEF are projected to increase from $7.9 million in 1998 to $17.3 million in 2002. The total costs of this four-year investment programme, already initiated in 1999 (see E/ICEF/1999/AB/L.5, para. 24), are projected at $14.6 million, of which $4.0 million are proposed for 2000. These investments will enable each of the four National Committees to reach a minimum sustainable income-generating size by the end of 2002, with a reinvestment capacity to perform a full portfolio of fund-raising, marketing and advocacy/communications activities within the normal 25 per cent retention rate;

(e) *Advance authorization to print cards and acquire products for the following fiscal year.* Because of the PSD business cycle, production timing and global distribution, PSD begins its sourcing and production approximately six months before the actual sales campaign. In this connection, the Executive Director requests advance authorization of the Executive Board to incur expenditures related to the cost of goods delivered for the following year.

C. Consolidated income and expenditure projections for 2000

10. As indicated in table 1, the PSD net consolidated income for 2000 is projected at $328.3 million ($198.0 million for regular resources and $130.3 for other resources), a decrease of $2.6 million (0.8 per cent) versus the 1999 latest estimates, but $17.1 million higher than the 1999 approved budget. The projected decrease in 2000 is due primarily to the exceptionally high other resources income in 1999 resulting from the many successful fund-raising campaigns for emergencies. The net consolidated income (regular resources) in 2000 of $198.0 million comprises net operating income from card and product sales of $61.6 million plus net operating income from private sector fund-raising of $151.4 million, offset by the cost of investments in MDP, FDP, the Central and Eastern European National Committees Development Programme and the Nordic Investment Programme of $15.0 million.

11. Consolidated expenditures for 2000, as summarized in table 2, are projected at $93.1 million, an increase of $6.2 million (7.1 per cent) over the 1999 latest estimates. This total increase over the 1999 latest estimates is attributable to:

(a) Investment funds ($2.0 million) which provide essential catalytic input in support of revenue growth opportunities with UNICEF partners, National Committees, globally, including a special investment in the four Nordic National Committees;

(b) Investments in electronic commerce ($1 million) as the new area offering high potential for revenue growth for PSD in both card/product sales and fund-raising;

(c) Higher cost of goods ($1.3 million) due to the projected increase in card volume and, more importantly, the changed product mix with the higher component of non-card products;

(d) Increased share in costs related to implementation of the new FLS ($1.0 million);

(e) Higher staff costs ($0.7 million) due to mandatory salary increases and to the fact that a significant number of posts were still vacant in 1999;

(f) Higher commissions ($0.2 million) due to implementation of the third party arrangements in the distribution of UNICEF cards and products in a number of UNICEF field offices.

D. Human resources

12. In the international Professional category of posts, it is proposed to establish a P-2 post of assistant fund-raising officer in the PSD Regional Office in New York to provide ongoing support to the major markets in the Far East, especially in Japan. In order to strengthen the financial analysis and evaluation of effectiveness of PSD operations in Europe, a new post of assistant financial analyst at the P-2 level will be added to the structure of the PSD Regional Office in Geneva. The P-5 post of senior technical officer

for printing, currently located in Copenhagen, will be abolished as these functions will be redistributed between the PSD Regional Office in Geneva and UNICEF Supply Division in Copenhagen. With the above changes, the total number of PSD international Professional posts will increase from 79 to 80 in 2000.

13. Proposed changes in the category of national Professional posts are as follows:

(a) Three posts in the area of private sector fund-raising at the UNICEF offices in Ecuador, Nigeria and Peru will be abolished in 2000 because of the low income potential from this revenue stream. Fund-raising-related tasks will be redistributed within the remaining PSD-funded posts in those offices, with additional technical support being provided by the PSD regional support centres;

(b) One fund-raising national Professional post in Mexico will also be abolished in 2000. It was concluded that this potentially profitable operation would be better served if it was supported through specialized outside contractors, with the situation to be reassessed later for 2001;

(c) Therefore, the total number of posts in this category will be reduced from 23 to 19 in 2000.

14. It is also proposed to decrease the total number of posts in the General Service category by 3 to 119. This is possible because of the redistribution of functions within the remaining structure.

15. Reclassification is requested for the following posts:

(a) Senior systems analyst, Geneva. This is the most senior post in the information technology development area at UNICEF Geneva, which supervises the development and implementation of all new systems and platforms, adapting them where necessary to user needs and upgrading the existing software and hardware fleet. With the implementation and maintenance of FLS, the responsibilities of this post have become more complex and demanding. Therefore, it is proposed that this post be upgraded from the P-4 to the P-5 level;

(b) Sales forecast officer, Geneva. It is proposed to upgrade this post from the P-2 to the P-3 level to reflect the increased importance of the function and workload in view of the shortening of the "production-to-market" cycle from 24 to 8 months. This new environment is demanding higher and stricter requirements for the planning of stock levels, administration of sales orders and distribution to partners;

Table 1. Private Sector Division income statement - 1998 actual, 1999 approved budget, 1999 latest estimates and 2000 proposed budget

(In millions of United States dollars)

	1998 Actual a/	%	1999 Approved budget	%	1999 Latest estimates	%	2000 Proposed	%	Variance 2000 vs. 1999 Latest estimates $	%
Gross proceeds - card and product sales	137.9		158.4		150.5		160.8		10.3	6.8
Less: Retention/commissions and direct expenses at field offices	36.1	26.2	40.2	25.4	38.9	25.8	41.3	25.7	2.4	6.2
Net proceeds - card and product sales	101.8		118.2		111.6		119.5		7.9	7.1
Less: Cost of goods delivered	27.2	19.7	35.4	22.3	34.1	22.7	35.4	22.0	1.3	3.8
Operating expenses	22.9	16.6	25.2	15.9	25.2	16.7	28.3	17.6	3.1	12.3
Provision for doubtful accounts	1.0		0.5		0.5		0.5		-	-
Add: Other income	5.9		6.3		6.3		6.3		-	-
Net operating income - card and product sales	56.6	41.0	63.4	40.0	58.1	38.6	61.6	38.3	3.5	6.0
Net operating income - Private sector fund-raising	131.4		145.1		146.8		151.4		4.6	3.1
Less: Other charges										
Market Development Programme	2.4		4.0		4.0		3.4		(0.6)	(15.0)
Fund-raising Development Programme	6.4		8.5		8.5		7.1		(1.4)	(16.5)
Central and Eastern European National Committees Development Programme	0.1		0.5		0.5		0.5		-	-
Nordic Investment Programme							4.0		4.0	100.0
Net operating income	179.1		195.5		191.9		198.0		6.1	3.2
Less: Exchange rate adjustment	3.3									
Prior years' adjustments (gain)	(4.3)									
Net income - regular resources	180.1		195.5		191.9		198.0		6.1	3.2
Add: PSFR other resources	92.5		115.7		139.0		130.3		(8.7)	(6.3)
Net consolidated income	272.6		311.2		330.9		328.3		(2.6)	(0.8)
										%
Card sales volume (millions)	*147*		*165*		*153*		*160*		*7*	4.6

PSFR = Private sector fund-raising.
a/ The comparative figures for 1998 were restated to conform with the 1999 and 2000 presentations.

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Table 1A. Net income after allocation of operating expenses by revenue-generating activity 1998 actual, 1999 approved budget, 1999 latest estimates and 2000 proposed budget : Management statement - supporting table 1

(In millions of United States dollars)

	1998 Actual a/			1999 Approved Budget			1999 Latest estimates			2000 Proposed		
	Card and product sales	Private sector fund-raising	Total	Card and product sales	Private sector fund-raising	Total	Card and product sales	Private sector fund-raising	Total	Card and product sales	Private sector fund-raising	Total
Gross proceeds	137.9		137.9	158.4		158.4	150.5		150.5	160.8		160.8
Less: Retention/commissions and direct expenses at field offices	36.1	-	36.1	40.2		40.2	38.9		38.9	41.3		41.3
Net proceeds	101.8	138.4	240.2	118.2	153.6	271.8	111.6	155.1	266.7	119.5	159.3	278.8
Less: Cost of goods delivered	27.2		27.2	35.4		35.4	34.1		34.1	35.4		35.4
	74.6	138.4	213.0	82.8	153.6	236.4	77.5	155.1	232.6	84.1	159.3	243.4
Less: Marketing expenses	7.1	7.0	14.1	8.6	8.5	17.1	8.1	8.3	16.4	8.8	7.8	16.6
	67.5	131.4	198.9	74.2	145.1	219.3	69.4	146.8	216.2	75.3	151.5	226.8
Less: Support services	11.1	4.7	15.8	11.8	4.8	16.6	12.0	5.1	17.1	13.8	5.8	19.6
Provision for doubtful accounts	1.0		1.0	0.5		0.5	0.5		0.5	0.5		0.5
	55.4	126.7	182.1	61.9	140.3	202.2	56.9	141.7	198.6	61.0	145.7	206.7
Add: Other income	5.9		5.9	6.3		6.3	6.3		6.3	6.3		6.3
Net operating income before other charges	61.3	126.7	188.0	68.2	140.3	208.5	63.2	141.7	204.9	67.3	145.7	213.0
Less: Other charges												
Market Development Programme	2.4		2.4	4.0		4.0	4.0		4.0	3.4		3.4
Fund-raising Development Programme		6.4	6.4		8.5	8.5		8.5	8.5		7.1	7.1
Central and Eastern European National Development Programme	0.1		0.1	0.5		0.5	0.5		0.5	0.5		0.5
Nordic Investment Programme										1.2	2.8	4.0
Net operating income	58.8	120.3	179.1	63.7	131.8	195.5	58.7	133.2	191.9	62.2	135.8	198.0
Less: Exchange rate adjustment	2.2	1.1	3.3									
Prior years' adjustments (gain)	(3.0)	(1.3)	(4.3)									
Net income	59.6	120.5	180.1	63.7	131.8	195.5	58.7	133.2	191.9	62.2	135.8	198.0
Add: Other resources		92.5	92.5		115.7	115.7		139.0	139.0		130.3	130.3
Net consolidated income	59.6	213.0	272.6	63.7	247.5	311.2	58.7	272.2	330.9	62.2	266.1	328.3

a/ The comparative figures for 1998 were restated to conform with the 1999 and 2000 presentations.

Table 2. Summary of expenditures -

1998 approved budget, 1998 actual, 1999 approved budget, 1999 latest estimates and 2000 proposed budget

(In millions of United States dollars)

	1998 Approved budget a/ b/	1998 Actual a/	1999 Approved budget	1999 Latest estimates	2000 Proposed	Variance 2000 vs. 1999 Latest estimates	
						$	%
MARKETING							
Commissions - field offices	2.2	2.0	2.5	2.1	2.3	0.2	9.5
Cost of goods delivered a/	37.3	27.2	35.4	34.1	35.4	1.3	3.8
Operating expenses	22.5	18.9	21.3	20.6	20.8	0.2	1.0
Subtotal	62.0	48.1	59.2	56.8	58.5	1.7	3.0
SUPPORT SERVICES							
Operating expenses	18.5	15.7	16.6	17.1	19.6	2.5	14.6
NON-OPERATING EXPENSES							
Market Development Programme	2.8	2.4	4.0	4.0	3.4	(0.6)	(15.0)
Fund-raising Development Programme	7.8	6.4	8.5	8.5	7.1	(1.4)	(16.5)
Central and Eastern European National Committees Development Programme	0.1	0.1	0.5	0.5	0.5	-	-
Nordic Investment Programme					4.0	4.0	100.0
Subtotal	10.7	8.9	13.0	13.0	15.0	2.0	15.4
TOTAL EXPENDITURES	91.2	72.7	88.8	86.9	93.1	6.2	7.1

a/ The figures for 1998 approved and actual were restated to conform with the presentation of the 2000 proposed budget.
b/ In accordance with Executive Board decision 1998/5, paragraph 2 (E/ICEF/1998/6/Rev.1), these amounts reflect the low projection budget.

(c) The product development officer post in New York is proposed to be upgraded from the P-2 to the P-3 level in view of the growing complexity and workload in this area due to ongoing changes in the product mix. The change in level acknowledges the higher level of creativity and professionalism required in the post as well as its contribution towards the development of the global core collection;

(d) It is proposed that the marketing database officer post in New York be upgraded from the P-2 to the P-3 level. The functions of the post now include supporting globally the SalesPerfect and DonorPerfect systems for PSD, implemented predominantly at UNICEF field offices, as well as all markets served by New York (including three key markets) in database management. Consequently, the level of responsibility and accountability of this post has increased substantially.

16. As a result of the above changes, the total number of PSD posts in 2000 will decrease by 6 to 218, comprising 80 international Professional, 19 national Professional and 119 General Service.

II. Marketing

A. Introduction

17. As part of JPP, and in an effort to achieve a consistent brand identity for UNICEF globally, PSD, with its National Committee partners, is integrating plans for activities in its two revenue-generating areas: card and product sales; and private sector fund-raising. In both areas, UNICEF finds itself in a field of growing competition and increased professionalism, with a building pressure world-wide on the private sector for greater contributions. The arrival of new technologies opens up new venues, but also rapidly changes customer habits. UNICEF intends to meet these challenges by building on its market leader position and strengthening its brand identity globally. In direct marketing activities, PSD will be increasing and improving its work on database development and management with its partners. Areas of particular emphasis will include list selection for prospecting and the reactivation and upgrading of the buyer and donor databases of partners. A further priority will be the continued focus on the corporate sector for both the sale of greeting cards and private sector fund-raising. This includes the formation of alliances (partnerships), prospecting, reactivation and building loyalty.

B. 2000 objectives

18. The objectives of Marketing are to achieve (tables 1 and 1A):

(a) Card sales volume of 160 million cards;

(b) Gross proceeds from card and product sales of $160.8 million;

(c) Net proceeds from UNICEF private sector fund-raising activities of $289.6 million (regular resources of $159.3 million and other resources of $130.3 million);

(d) Net operating income of $198.0 million for regular resources.

C. 2000 strategies

19. PSD strategies for 2000 include the following:

(a) Brand revitalization, with updated design appeal in cards, products and promotional material;

(b) Focus on the corporate sector in the building of alliances in card and product sales and in fund-raising;

(c) Continuity programmes in database development and management;

(d) Providing information and data on industry activities and strategies successfully employed by National Committees and field offices. This includes research and training;

(e) Implementation of programmes with new technology in fund-raising through the internet and e-commerce;

(f) Investments into high-yielding marketing and fund-raising initiatives.

D. Market Development Programme

20. In 1999, a total of 25 projects were approved for funding from the MDP budget of $4.0 million. Projects were submitted by 13 National Committees. The financial investment of PSD in these projects at 1 November 1999 was $1.4 million, and gross proceeds from these initiatives are projected at $7.0 million.

21. For the 2000 work plan, MDP funding of $3.6 million is proposed, a reduction of $0.4 million (10.0 per cent) over the 1999 latest estimates. The emphasis of the proposed projects for 2000 will be based on the previously successful MDP campaigns, including building consumer awareness of UNICEF cards and products through advertising campaigns, telemarketing campaigns to the corporate sector and sales expansion through channel development in retail and direct mail and database marketing development.

E. Fund-raising Development Programme

22. For 1999, the Executive Board approved $8.5 million for FDP. As of 1 November 1999, $3.0 million had already been committed, with applications in the approval process amounting to $2 million. Seventeen National Committees and three UNICEF field offices benefited from FDP support in 1999.

23. For the 2000 work plan, FDP funding of $7.3 million is proposed, a reduction of $1.2 million (14.1 per cent) over the 1999 latest estimates. This will facilitate funding opportunities for increasing donor constituencies of partners which may not be implementable without FDP support.

F. Central and Eastern European National Committees Development Programme

24. The nine countries under the Central and Eastern European National Committees Development Programme project sales of 6.7 million cards and $3.1 million in gross proceeds for 1999. For 2000, objectives include card sales of 6.9 million (an increase of

3.0 per cent over the 1999 latest estimates) and gross proceeds of $3.2 million (an increase of 3.2 per cent over the 1999 latest estimates).

G. Nordic Investment Programme

25. The four National Committees which form part of this four-year programme are Denmark, Finland, Norway and Sweden. The main objective of this programme, already initiated in 1999, is to combine and leverage the strengths and scarce resources of these four National Committees by capitalizing on all synergies in marketing strategy and resource mobilization, thus creating sustainable income- generation levels for each National Committee at a proportionately lower expense base for the region and UNICEF as a whole. The total expenditures proposed for this four-year programme are $14.6 million, of which $4.0 million are proposed for 2000. As a result of these investments and implementation of this programme, the annual contribution from these National Committees to UNICEF is projected to increase from $7.8 million in 1998 to $17.3 million in 2002.

H. Analysis of 2000 proposed budget

26. Gross proceeds from card and product sales for 2000 are projected to range from a low of $157.0 million to a high of $164.0 (see table 7). The medium projection is $160.8 million, an increase of $10.3 million (6.8 per cent) over the 1999 latest estimates.

27. Sales volume for 2000 is projected at 160 million cards, an increase of 7 million cards (4.6 per cent) over the 1999 latest estimates.

28. Net proceeds from card and product sales for 2000 are projected at $119.5 million, $7.9 million (7.1 per cent) higher than the 1999 latest estimates, after taking into account the amounts retained by National Committees, commissions paid to consignees and direct expenses at UNICEF field offices ($41.3 million).

29. Other income for 2000 is projected at the level of the 1999 latest estimates, i.e. $6.3 million. This includes royalties from the sale of licensed products, donations generated from brochure and order forms, bank interest and discount on purchases.

30. Net proceeds from UNICEF private sector fund-raising activities for 2000 are projected at $289.6 million, of which $159.3 million are for regular resources and $130.3 million for other resources.

31. Total operating expenses for the Marketing Group in 2000 are projected at $20.7 million (see table 3), an increase of $0.1 million (0.5 per cent) when compared to the 1999 latest estimates. Commissions in 2000 are projected at $2.3 million, an increase of $0.2 million (10.7 per cent) over the 1999 latest estimates due to the implementation of the third party arrangements in the distribution of UNICEF cards and products in a number of UNICEF field offices.

Table 3. Marketing: expenses for 1998 actual, 1999 approved budget, 1999 latest estimates and 2000 proposed budget

(In thousands of United States dollars)

Expenditures	1998 Actual	1999 Approved budget	1999 Latest estimates	2000 Proposed budget	Changes 2000 vs. 1999 Latest estimates	
Commissions - field offices	2,044	2,467	2,096	2,320	224.0	10.7
Operating expenses						
International posts	2,754	4,162	4,104	4,117	13.0	0.3
Local posts	2,381	2,432	2,452	2,424	(28.0)	(1.1)
Staff training	53	110	105	118	13.0	12.4
Other staff costs a/	283	174	165	283	118.0	71.5
Consultants	-	40	40	55	15.0	37.5
Travel	487	657	630	792	162.0	25.7
Other operating expenses b/	1,145	1,321	1,021	1,332	311.0	30.5
Furniture and equipment	116	116	107	56	(51.0)	(47.7)
Research and development	3,084	3,010	2,997	2,887	(110.0)	(3.7)
Field office expenses - product sales	3,727	3,752	3,626	3,633	7.0	0.2
Field office expenses - PSFR	2,251	3,041	2,897	2,489	(408.0)	(14.1)
Regional support centre expenses	1,507	2,004	1,958	2,030	72.0	3.7
Provision for doubtful accounts	1,041	500	500	500	-	-
Subtotal operating expenses	18,829	21,319	20,602	20,716	114.0	0.6
Total expenses	20,873	23,786	22,698	23,036	338.0	1.5

a/ Short-term assistance, staff welfare and overtime.

b/ Contractual services, rent and maintenance of premises, rental and maintenance of furniture, equipment, communications, supplies and materials, hospitality and miscellaneous services.

III. Support services

A. Introduction

32. This group provides support to PSD income-generating activities. It includes the costs of the Director's Office, Operations, Finance and Management Information Systems.

B. 2000 objectives

33. The objectives of Support Services include:

(a) To provide financial, operational and information services support to management;

(b) To improve customer service to partners in a cost-effective manner;

(c) Together with National Committees and the regional Office for Europe in Geneva, to expand JPP to 23 National Committees in 2000 and all National Committees by the end of 2001;

(d) To coordinate with National Committees the operationalization of the new Financial Reporting Package and the "One-Window" reporting concept;

(e) To expand the knowledge base of FLS users and initiate phase II of the migration of the application system to FLS.

C. 2000 strategies

34. The strategies to achieve the above objectives are:

(a) To improve customer service through timely and regular review of status against plan;

(b) As part of JPP, to coordinate with National Committees the development of their plans to achieve the objective of maximization of revenues for UNICEF programmes;

(c) To ensure implementation of the "One-Window" concept for reporting, including the use of the Financial Reporting Package; and based on quarterly reports from partners, analyse and compare actual results against plan, and provide management with timely information;

(d) Through increased training to FLS users, to achieve optimized usage of system resources and information base.

D. Analysis of 2000 proposed budget

35. Total expenses for Support Services are projected at $19.6 million, an increase of $2.6 million (15.1 per cent) over the 1999 latest estimates. This increase is due primarily to the PSD share in the investments related to the FLS project ($1.0 million) and centralization under Support Services of rental and communications costs previously distributed between Marketing and Support Services ($0.9 million). The remaining $0.7 million are due to mandatory salary increases as well as to the fact that a number of posts were vacant in 1999, but they will be filled in 2000.

Table 4. Support Services: expenses for 1998 actual, 1999 approved budget, 1999 latest estimates and 2000 proposed budget

(In thousands of United States dollars)

Expenditures	1998 Actual	1999 Approved budget	1999 Latest estimates	2000 Proposed budget	Changes 2000 vs. 1999 Latest estimates	
					$	%
International posts	4,485	5,546	5,269	5,790	521	9.9
Local posts	3,483	4,065	4,049	4,312	263	6.5
Staff training	46	148	118	115	(3)	(2.5)
Other staff costs a/	526	192	262	444	182	69.5
Consultants	123	50	-	-	-	-
Travel	409	436	480	489	9	1.9
Operating expenses b/	3,656	4,126	4,462	5,338	876	19.6
Furniture and equipment c/	2,054	1,103	1,471	2,319	848	57.6
Regional support centre expenses	982	954	950	833	(117)	(12.3)
Total expenses	15,764	16,620	17,061	19,640	2,579	15.1

a/ Short-term assistance, staff welfare and overtime.

b/ Contractual services, rent and maintenance of premises, rental and maintenance of furniture, equipment, communications supplies and materials, hospitality and miscellaneous services.

c/ Office equipment, computer equipment, computer software (including PSD share of investments in the FLS project) and plant equipment.

IV. Regional support centres and UNICEF field offices

A. Introduction

36. Gross proceeds generated by UNICEF field offices from PSD activities in 1999 are projected at $27.9 million, with costs estimated at $15.5 million (excluding FDP), resulting in a net operating income of $12.5 million (including other income of $0.1 million).

37. Due to the declining income trend in private sector fund-raising activities in Ecuador, Nigeria and Peru for the past several years, it was decided to scale down operations in these countries, with a respective reduction of PSD support.

B. 2000 objectives

38. The objectives are:

(a) To provide support, assistance and training to the UNICEF field offices in PSD priority countries and to National Committees in Australia, Hong Kong, the Republic of Korea and New Zealand in technical aspects of PSD-related activities;

(b) To achieve:

(i) Card sales of 23.6 million;

(ii) Gross proceeds of $17.7 million from card and product sales and $13.1 million from private sector fund-raising.

C. 2000 strategies

39. The strategies to achieve the above objectives are:

(a) To develop regional strategies for distribution and pricing for product sales and direct appeals, donor acquisition and corporate appeals for private sector fund-raising activities;

(b) To build new corporate relationships in conformity with the UNICEF Corporate Alliance Guidelines, for both the sales and fund-raising segments, and consolidate existing alliances;

(c) To provide support to markets and monitor implementation of the 2000 work plan and budget;

(d) To organize regional workshops jointly for card and product sales and private sector fund-raising activities to review 1999 results, establish strategies, and provide training and support to achieve 2000 objectives.

D. Analysis of 2000 proposed budget

40. For 2000, PSD-related activities at UNICEF field offices are projected to generate $30.8 million in gross proceeds, an increase of $2.9 million (10.5 per cent) over the 1999 latest estimates (see table 5). This increase is attributable to higher proceeds from both card and product sales (by $1.3 million) and private sector fund-raising (by $1.6 million).

Table 5. Regional support centres and UNICEF field offices :
Income and expenditures for 1998 actual, 1999 approved budget, 1999 latest estimates and 2000 proposed budget

(In thousands of United States dollars)

	1998	1999 Approved	1999 Latest estimates				2000 Proposed budget				Changes 2000 vs. 1999 Latest estimates	
	Actual	budget	C&P sales	PSFR	O&F	Total	C&P sales	PSFR	O&F	Total	$	%
Volume of card sales	19,315	25,599	22,990	-	-	22,990	23,569	-	-	23,569	579	2.5
Gross proceeds (RR + OR)	21,473	36,435	16,377	11,519		27,896	17,701	13,123		30,824	2,928	10.5
Less: Commissions paid to consignees	2,044	2,467	2,096	-		2,096	2,320	-		2,320	224	10.7
Net proceeds	19,429	33,968	14,281	11,519	-	25,800	15,381	13,123	-	28,504	2,704	10.5
Costs of goods delivered	3,522	5,162	3,977			3,977	4,400			4,400	423	10.6
Operating expenses:												
International posts	841	990	306	240	296	842	309	257	324	890	48	5.7
Local posts	2,696	2,582	1,303	1,064	222	2,589	1,249	732	190	2,171	(418)	(16.1)
Staff training	17	48	25	15	30	70	30	22	28	80	10	14.3
Other staff costs a/	1,272	1,117	650	431	55	1,136	562	479	39	1,080	(56)	(4.9)
Travel	368	441	174	161	86	421	188	130	83	401	(20)	(4.8)
Other operating expenses b/	2,460	2,190	1,549	709	219	2,477	1,745	610	127	2,482	5	0.2
Furniture and equipment c/	105	162	143	73	42	258	66	50	42	158	(100)	(38.8)
Research and development	720	2,222	408	1,230	-	1,638	453	1,270	-	1,723	85	5.2
Bad debts	887					-				-	-	-
Total operating expenses	9,366	9,752	4,558	3,923	950	9,431	4,602	3,550	833	8,985	(446)	(4.7)
Other income	270	158	137	-	-	137	143	-	-	143	6	4.4
Net operating income before FDP	6,811	19,212	5,883	7,596	(950)	12,529	6,522	9,573	(833)	15,262	2,733	21.8
Percentage of gross proceeds	32	53	36	66		45	37	73		50		
Less: FDP	384	1,435	-	563	-	563	-	548	-	548	(15)	(2.7)
Net operating income after FDP	6,427	17,777	5,883	7,033	(950)	11,966	6,522	9,025	(833)	14,714	2,748	23.0
Percentage of gross proceeds	30	49	36	61		43	37	69		48		

Summary of expenditures:												
Commissions	2,044	2,467	2,096	-	-	2,096	2,320	-	-	2,320	224	10.7
Cost of goods delivered	3,522	5,162	3,977	-	-	3,977	4,400	-	-	4,400	423	10.6
Total operating expenses (international posts, local posts, staff training, other staff costs, travel, other operating expenses, furniture and equipment, research and development, bad debts)	9,366	9,752	4,558	3,923	950	9,431	4,602	3,550	833	8,985	(446)	(4.7)

O&F = Operations and Finance; C&P sales = card and product sales;

OR = other resources; RR = regular resources.

a/ Short-term assistance, staff welfare and overtime.

b/ Contractual services, rent and maintenance of premises, rental and maintenance of furniture, equipment, communication supplies and materials, hospitality and miscellaneous services.

c/ Office equipment, computer equipment, computer software and plant equipment.

41. In card and product sales, card volume is projected at 23.6 million cards, an increase of 0.6 million (2.5 per cent) over the 1999 latest estimates. This is due to the increased focus on key markets as well as to higher penetration into the Latin American markets.

42. Total operating expenses for PSD-related activities at UNICEF field offices and PSD regional support centres are projected at $9.0 million, a decrease of $0.4 million, or 4.7 per cent when compared to the 1999 latest estimates. This is due mainly to a net reduction of six posts at UNICEF field offices because of the transfer of operations to third party arrangements in a number of markets as well as to the scaling down of private sector fund-raising activities in certain countries.

43. For 2000, the net operating income from PSD-related activities at UNICEF field offices from both card and product sales and private sector fund-raising (excluding FDP) is projected at $15.3 million, an increase of $2.7 million, or 21.8 per cent over the 1999 latest estimates. This increase is a result of a higher net operating income from both card and product sales ($0.6 million) and private sector fund-raising ($2.0 million), and lower operating costs of the Operations and Finance Group of $0.1 million.

V. Medium-term plan, 2000-2004

44. Table 6 presents the medium-term plan for PSD for the period 2000-2004. This plan is based on the market trends, the previous years' financial results and strategic plans developed and implemented in cooperation with National Committees and UNICEF field offices in PSD priority countries.

45. PSD objectives, as per the medium-term plan, are to achieve by 2004:

(a) Card sales volume of 185 million cards;

(b) Gross proceeds from card and product sales of $195.0 million;

(c) Net operating income from private sector fund-raising of $190.0 million for regular resources;

(d) Net operating income from private sector fund-raising of $120.0 million for other resources;

(e) Net consolidated income for UNICEF from the private sector of $373.8 million, comprising $253.8 million in regular resources and $120.0 million for other resources.

Table 6. Private Sector Division medium-term plan: 1998 actual, 1999 approved budget, 1999 latest estimates, 2000 proposed budget and 2001-2004 projections

(In millions of United States dollars)

	1998 Actual	1999 Approved budget	1999 Latest estimates	2000 Proposed	2001	2002	2003	2004
					Medium-term projections			
Gross proceeds - card and product sales	137.9	158.4	150.5	160.8	167.0	175.0	185.0	195.0
Less: Retention/commissions and direct expenses at field offices	36.1	40.2	38.9	41.3	42.9	45.0	47.5	50.1
Net proceeds - product sales	101.8	118.2	111.6	119.5	124.1	130.0	137.5	144.9
Less: Cost of goods delivered	27.2	35.4	34.1	35.4	37.6	39.4	41.6	43.9
Operating expenses	22.9	25.2	25.2	28.3	28.5	29.8	31.5	33.2
Provision for doubtful accounts	1.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Add: Other income	5.9	6.3	6.3	6.3	8.0	9.0	10.0	10.0
Net operating income - PSD card and product sales	56.6	63.4	58.1	61.6	65.5	69.3	73.9	77.3
Net operating income - Private sector fund-raising	131.4	145.1	146.8	151.4	160.0	170.0	180.0	190.0
Less: Other charges								
Market Development Programme	2.4	4.0	4.0	3.4	3.5	3.5	3.5	3.5
Fund-raising Development Programme	6.4	8.5	8.5	7.1	7.5	8.0	9.0	10.0
Central and Eastern European National Committees Development Programme	0.1	0.5	0.5	0.5	0.6	-	-	-
Nordic Investment Programme				4.0	4.2	3.2	1.0	-
Net operating income	179.1	195.5	191.9	198.0	209.7	224.6	240.4	253.8
Less: Exchange rate adjustment	3.3							
Prior years' adjustments (gain)	(4.3)							
Net income - regular resources	180.1	195.5	191.9	198.0	209.7	224.6	240.4	253.8
Add: PSFR other resources	92.5	115.7	139.0	130.3	120.0	115.0	115.0	120.0
Net consolidated income	272.6	311.2	330.9	328.3	329.7	339.6	355.4	373.8
Card sales volume (millions)	147	*165*	*153*	*160*	*166*	172	178	185

Table 7. Range of budgeted income and expenditures for the fiscal year 1 January - 31 December 2000

(In millions of United States dollars)

	I Low projection	II Medium projection	III High projection
Budgeted income			
Gross proceeds - product sales	157.0	160.8	164.0
Deduct: National Committees' retention a/	34.6	35.4	36.1
Net proceeds	122.4	125.4	127.9
Add: Other income - net (table 1A)	5.8	6.3	7.0
Net proceeds - product sales	128.2	131.7	134.9
Private sector fund-raising - regular resources (table 1A)	154.0	159.3	164.0
Total net proceeds - regular resources	282.2	291.0	298.9
Budgeted expenditures			
Commissions - field offices	2.2	2.3	2.4
Cost of goods delivered	34.6	35.4	36.2
Marketing expenditures	20.3	20.8	21.3
Support Services	19.0	19.6	20.2
Market Development Programme	3.4	3.4	3.4
Fund-raising Development Programme	7.1	7.1	7.1
Central and Eastern European National Committees Development Programme	0.4	0.5	0.5
Nordic Investment Programme	4.0	4.0	4.0
Total expenditures - consolidated (table 2)	91.0	93.1	95.1
Net consolidated income - regular resources (table 1)	191.2	197.9	203.8
Add: Other resources - private sector fund-raising (table 1)	125.0	130.3	135.0
Net consolidated income - regular resources and other resources	316.2	328.2	338.8

a/ Excludes field office commissions - budgeted in expenditures.

VI. Draft resolutions

46. The draft resolutions for Executive Board approval relating to the PSD budget for 2000 are presented below.

A. Private Sector Division budgeted expenditures for the 2000 season

The Executive Board

1. *Approves* for the fiscal year 1 January to 31 December 2000 budgeted expenditures of $93.1 million as detailed below and summarized in column II of table 7 of document E/ICEF/2000/AB/L.1:

	(In millions of United States dollars)
Commissions - field offices	2.3
Cost of goods delivered	35.4
Marketing expenditures	20.8
Support Services	19.6
Market Development Programme	3.4
Fund-raising Development Programme	7.1
Central and Eastern European National Committees Development Programme	0.5
Nordic Investment Programme	4.0
Total expenditures, consolidated[a]	**93.1**

[a] For details, see table 2.

2. *Authorizes* the Executive Director:

(a) To incur expenditures, as summarized in column II of table 7 of document E/ICEF/2000/AB/L.1, and to increase expenditures up to the level indicated in column III of the same table should the apparent proceeds from card and product sales and/or private sector fund-raising increase to the levels indicated in column III and, accordingly, to reduce expenditures below the level indicated in column II, to the extent necessary, should the net proceeds decrease;

(b) To redeploy resources between the various budget lines (as detailed in paragraph 1 above) up to a maximum of 10 per cent of the amounts approved;

(c) To spend an additional amount between Executive Board sessions, when necessary, up to the amount caused by currency fluctuations, to implement the 2000 approved work plan.

B. Budgeted income for the 2000 season

The Executive Board

Notes that for the period 1 January to 31 December 2000, PSD net proceeds are budgeted at $291.0 million (regular resources) as shown in column II of table 7 of document E/ICEF/2000/AB/L.1.

C. Policy issues

The Executive Board

1. *Approves* the changes in posts with a net decrease of six posts, as indicated in annexes I and III to document E/ICEF/2000/AB/L.1;

2. *Renews* MDP with $3.4 million established for 2000;

3. *Renews* FDP with $7.1 million established for 2000;

4. *Renews* the Central and Eastern National Committees Development Programme, which includes nine countries, with a budget of $0.5 million established for 2000;

5. *Establishes* the Nordic Investment Programme, which includes four countries, with a budget of $4.0 million for 2000;

6. *Authorizes* the Executive Director to incur expenditures in the 2000 fiscal period related to the cost of goods delivered (production/purchase of raw materials, cards and other products) for the 2001 fiscal year up to $37.6 million as indicated in the PSD medium-term plan (see table 6 of document E/ICEF/2000/AB/L.1).

D. Medium-term plan

The Executive Board

Approves the PSD medium-term plan as reflected in table 6 of document E/ICEF/2000/AB/L.1.

Annex I

PRIVATE SECTOR DIVISION: SUMMARY OF POST CHANGES PROPOSED FOR 2000

Detail	Posts level							Total IP	NO	GS	Grand total
	D2	D1	P5	P4	P3	P2	P1				
Base PAT 1999	1	3	13	26	29	7	0	79	23	122	224
Establish and abolish											
Marketing						1		1			1
Support Services			-1			1		0		-1	-1
RSCs and UNICEF field offices								0	-4	-2	-6
Total change, PSD	0	0	-1	0	0	2	0	1	-4	-3	-6
Reclassifications, PSD											
Marketing					2	-2		0			
Support Services			1	-1	1	-1		0			0
Total reclassification, PSD	0	0	1	-1	3	-3	0	0	0	0	0
Total change and reclassification	0	0	0	-1	3	-1	0	1	-4	-3	-6
Total, Proposed 2000	1	3	13	25	32	6	0	80	19	119	218

IP = international Professional; NO = national officer; GS = General Service;
PAT = post authorization table; RSCs = regional support centres.

Annex II

PRIVATE SECTOR DIVISION:

DETAILS OF 2000 PROPOSED INTERNATIONAL PROFESSIONAL POST CHANGES (ESTABLISH/ABOLISH)

Post number	Duty station	Post title	Functional group	Level	Type of action	Count
14542	CPH	Senior Technical Officer - Printing	Support Services	P-5	Abolish	-1
PSD001	GE	Assistant Financial Analyst	Support Services	P-2	Establish	1
PSD002	NY	Assistant Fund-raising Officer	Marketing	P-2	Establish	1
Total						1

DETAILS OF 2000 PROPOSED INTERNATIONAL PROFESSIONAL POST RECLASSIFICATIONS

Post number	Duty station	Post title	Functional group	1999 Level	2000 Level
8619	GE	Senior Systems Analyst	Support Services	P-4	P-5
14148	GE	Sales Forecast Officer	Support Services	P-2	P-3
14147	NY	Product Development Officer	Marketing	P-2	P-3
13587	NY	Marketing Database Officer	Marketing	P-2	P-3
Total					4

CPH = Copenhagen, GE = Geneva, NY = New York

Annex III

PRIVATE SECTOR DIVISION
COMPARISON OF POSTS:
1999 APPROVED BUDGET VERSUS 2000 PROPOSED BUDGET

	Posts level							Total IP	NO	GS	Grand total
	D2	D1	P5	P4	P3	P2	P1				
Marketing											
Approved 1999		2	5	10	11	3		31		30	61
Proposed 2000		2	5	11	12	2		32		29	61
Change	0	0	0	1	1	-1	0	1	0	-1	0
Support Services											
Approved 1999	1	1	6	12	17	4		41		50	91
Proposed 2000	1	1	6	10	19	4		41		50	91
Change	0	0	0	-2	2	0	0	0	0	0	0
Total, PSD headquarters and ROs											
Approved 1999	1	3	11	22	28	7	0	72	0	80	152
Proposed 2000	1	3	11	21	31	6	0	73	0	79	152
Change	0	0	0	-1	3	-1	0	1	0	-1	0
RSCs and UNICEF field offices											
Approved 1999			2	4	1			7	23	42	72
Proposed 2000			2	4	1			7	19	40	66
Change	0	0	0	0	0	0	0	0	-4	-2	-6
Total, PSD headquarters, ROs, RSCs and UNICEF field offices											
Approved 1999	1	3	13	26	29	7	0	79	23	122	224
Proposed 2000	1	3	13	25	32	6	0	80	19	119	218
Change	0	0	0	-1	3	-1	0	1	-4	-3	-6

IP = international Professional; NO = national officer; GS = General Service;
ROs = regional offices; RSCs = regional support centres.